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ACTIVITIES OF FOREIGN ECONOMIC AND OTHER INTERESTS WHICH ARE IMPEDING THE IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES IN ALL TERRITORIES UNDER COLONIAL DOMINATION AND EFFORTS TO ELIMINATE COLONIALISM, APARTHEID AND RACIAL DISCRIMINATION IN SOUTHERN AFRICA

UNITED STATES VIRGIN ISLANDS

Working paper prepared by the Secretariat

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UNITED STATES VIRGIN ISLANDS 1/

INTRODUCTION

1. Basic information on political, economic and social conditions in the United States Virgin Islands is contained in the general working paper prepared for the current session of the Special Committee (A/AC.109/1150). Additional information on foreign economic interests operating in the Territory is set out below.

I. ROLE OF FOREIGN CAPITAL

2. The Territory's relations with, and proximity to, the United States of America, together with its tropical climate, have continued to be an attraction to businesses in the United States aned elsewhere. In an attempt to broaden its economic base and reduce its dependence on tourism, the territorial Government has embarked on an extensive economic development programme aimed at the establishment of a sound economic and social infrastructure and the stimulation of industrial growth. The Governments of both the United States and the Territory have introduced a range of new tax incentives to United States and foreign private investors which should increase benefits locally.

3. The main areas of foreign investment, primarily from the United States, continued to be tourism and property development, manufacturing and international business. Telecommunications and airline services are owned exclusively by foreign interests.

4. During the period under review the territorial Government continued its efforts to diversify the economy. In his State of the Territory address in January 1993, the Governor outlined several policy objectives which he expected would revitalize the economy. He drew attention to the fiscal crisis which the Territory continued to face and estimated that the deficit would increase to approximately US$ 57 million. He stressed that all efforts must be directed at further diversification of the Territory's economy, noting that while recent studies had reconfirmed the dominance of the tourism sector in the economy, it had been proven that the manufacturing sector produced the greater multiplier within the economy. In that connection, the Government would not only promote tourism, but would also offer tax and other incentives to attract non-polluting assembly and light manufacturing enterprises to the Territory.

II. MAJOR DEVELOPMENT ACTIVITIES

A. Tourism and property development

5. Tourism and related services continued to be the main activity, accounting for approximately 65 per cent of gross domestic product. The total number of visitors increased by only 0.7 per cent to 1.96 million in 1992, as compared with an increase of 8 per cent in 1991. Occupancy rates declined further from 58.4 per cent in 1991 to 54.7 per cent in 1992. 2/ Over the same period, however, total tourist expenditure rose by 5.5 per cent to US$ 791 million. 3/

6. It will be recalled that, following low occupancy rates and financial difficulties, the largest hotel on St. Croix, the 158-room Carambola Beach Resort, ceased operations in June 1991, resulting in the loss of nearly 200 jobs (A/AC.109/1123, para. 6).

7. It was reported in March 1993, that the creditors of Carambola Beach Resort, a consortium of insurance companies, had officially foreclosed on the property, clearing the way for its sale. The Sargasso Corporation owned by Mr. William Young, a United States businessman, has reportedly applied to the Territory's Industrial Development Corporation to purchase the hotel, which was estimated to be worth approximately US$ 29 million. Mr. Young proposed to make the hotel an affiliate of the Radisson chain of hotels. The Radisson Group currently operates eight resorts in the Caribbean and its parent company, Carlson Travel, owns approximately 2,600 affiliated travel agencies world wide. 4/

8. During the reporting period, the charter-boat industry continued to suffer from the effects of hurricane Hugo which struck the Territory in September 1989. This sub-sector generated $82.7 million in the 1988/89 season and employed more than 2,600 persons. Recent figures show, however, that by September 1992 the industry was generating approximately US$ 22 million annually and employing fewer than 1,000 persons. The chairperson of the Senate Labour and Veterans Affairs Committee stated that the territorial Government should increase its incentives to the industry by, inter alia, elimination of the 3 per cent excise tax on the importation of charter-boats. In return for those incentives, the industry should make a full commitment to hire indigenous Virgin Islanders, who for the most part have been excluded from the marine industry. 5/

Property development

9. As previously reported, protracted discussions had been held between the territorial Government, the local community and special interest groups on the one hand, and the United States Government and its agencies on the other, concerning the transfer of Water Island, the fourth largest island in the Territory, to the territorial Government by the end of December 1992. At the same time, discussions were also under way between representative groups of the above parties and the West Indian Company, Ltd. (WICO), a subsidiary of the East Asiatic Company of Denmark, regarding the ownership and control of submerged and developed land in and around the Charlotte Amalie harbour. Details concerning the transfer of Water Island are contained in a previous working paper prepared by the Secretariat (A/AC.109/1123, para. 10). Developments concerning the purchase of the WICO property by the territorial Government are outlined below.

10. In his State of the Territory message in January 1993, the Governor recalled that 75 years previously when the Territory was purchased from Denmark, the Treaty signed gave controlling rights of the Charlotte Amalie Harbour to the East Asiatic Company. Over the years, however, that provision had been a source of great concern. Repeated attempts by the territorial Government to exercise some degree of regulation and regain control over that strategic port of entry had been thwarted by the Treaty stipulations and by United States courts.

11. According to the Governor, one indication of political maturity was the ability of any people to control development along their shorelines. He had

felt frustration, given the impotence of the Government's position to force the relinquishment of this vestige of colonialism. The appeals of the territorial Government for assistance from the United States State Department had gone unanswered. Ironically, on the occasion of the diamond jubilee an offer had been made for the territorial Government to purchase the stock of that company, thereby obtaining controlling rights by the people in what could be an offer of a lifetime.

12. He declared that it would be a dereliction of his responsibilities as Governor if he did not explore to the fullest extent possible securement of that property for future generations. In that regard, he had created a committee of government officials and private sector experts to analyse and advise him on the proposed purchase. Their mandate was to determine the acquisition structure, secure the financing, and create or adopt an operational and management team comparable to the one already in place.

13. The Governor called upon all Virgin Islanders to recognize that significant development, and stressed that there was no need for partisan or insular bickering disagreements. Rather, it would be in the best long-term interest of the Territory to secure the WICO properties for future generations. He urged the people of the Territory to work with him in achieving that objective.

14. Information provided by the territorial Government indicated that in March 1993 the Governor had submitted to the Territory's twentieth legislature a draft amendment to the WICO Purchase Bill. That amendment would assist with important economic recovery for the island of St. Croix. In a similar announcement, it was reported that the Governor, in a letter to the President of the Senate, had proposed that the official signing of the WICO Purchase Bill should take place on 31 March 1993, on the seventy-sixth anniversary of the transfer of the Territory from the Government of Denmark to the Government of the United States. 6/

15. According to press reports in April 1993, the territorial Government was ready to purchase the WICO property, which includes the St. Thomas cruise ship dock and shopping mall, as well as the submerged land, for a price of US$ 54 million. The reports stated that representatives of the territorial Government and the WICO Company would hold a "closing" on 5 April 1993, at which time the territorial Government would make a deposit of US$ 4.8 million or guarantee a tax credit of the same amount. The cash portion of US$ 48 million would include another US$ 6 million in tax credits. 7/ On 11 May 1993, the representative of the Territory informed the Subcommittee on Small Territories, Petitions, Information and Assistance, that, inter alia, the financing mechanisms for purchasing the WICO property were still being considered.

16. In other developments on property and real estate, the number of homes sold declined by 44.8 per cent from 455 in 1991 to 251 in 1992. The average price of home sales increased by 20 per cent from US$ 175,734 to US$ 210,732. The number of condominium sales also decreased from 276 to 197 (or by 28.6 per cent). St. Croix recorded the highest decline in all categories, namely, the number of homes sold (a 57.4 per cent decline); the average sale price of homes (a decline of 10.4 per cent); a 53 per cent decline in the number of condominiums sold; and a 15 per cent decline in the price of condominiums. 2/

B. Other sectors

17. Information on the main sectors in which foreign economic and other interests operate in the Territory (industrial development, international business and communications and basic facilities) has been outlined in the general working paper prepared for the session (A/AC.109/1150). No further developments have been reported.

Notes

1/ The information contained in this paper has been derived from published reports and from information transmitted to the Secretary-General by the Government of the United States of America under Article 73 e of the Charter of the United Nations for the period 1992 to 1993.

2/ United States Virgin Islands, Bureau of Economic Research, Department of Economic Development and Agriculture.

3/ The currency of the Territory is the United States dollar (US$).

4/ The Daily News (United States Virgin Islands), 20 March 1993.

5/ Ibid., 7 September 1992.

6/ Office of Public Relations, Official News Release, Nos. 255 and 261, 25 and 26 March 1993.

7/ The Daily News (United States Virgin Islands), 27 March 1993.